

Message Text

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PAGE 01 WARSAW 02964 141551Z

43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-02 TRSE-00 OMB-01 FRB-03 ABF-01

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC NIACT IMMEDIATE 4927

C O N F I D E N T I A L WARSAW 2964

E.O. 11652: GDS

TAGS: EFIN, PL

SUBJECT: PL-480 ANNUITY AGREEMENT

ATTENTION MINNIES

REF: A) STATE 111841 B) WARSAW 1061 C) WARSAW 1786

D) WARSAW 2328 E) WARSAW 2860

1. SUMMARY: EMBASSY FEARS THAT SIGNATURE OF THE AGREEMENT CONTAINED IN DEPT'S 111841 WOULD BE LIKELY TO BRING A STRONG AND WE THINK JUSTIFIABLE ADVERSE REACTION FROM U.S. ANNUITANTS AND THEIR STATESIDE SUPPORTERS. SUCH AN AGREEMENT COULD BE ACCURATELY DESCRIBED AS AN APPROVAL BY THEIR GOVERNMENT OF A SUBSTANTIAL REDUCTION IN THEIR STANDARD OF LIVING. EMBASSY WOULD MUCH PREFER AN AGREEMENT WHICH MERELY TERMINATED THE 1968 AGREEMENT, WITH THREE TO SIX MONTHS NOTICE BEYOND JUNE 30, AND MADE NO SPECIFIC MENTION OF ANY RATE WHICH ANNUITANTS WOULD RECEIVE AFTER TERMINATION. EMBASSY IS ESPECIALLY CONCERNED THAT THE AGREEMENT PROHIBIT ANNUITANTS FROM HAVING THEIR CHECKS SENT TO THEM THROUGH A POWER-OF-ATTORNEY ARRANGEMENT WITH A BANK OR INDIVIDUAL IN THE UNITED STATES. THIS IS A RIGHT WHICH IS AVIALABLE TO OUR ANNUITANTS RESIDENT IN OTHER COUNTRIES, AND IS ESSENTIAL IF OUR ANNUITANTS HERE ARE TO BE ABLE TO

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PAGE 02 WARSAW 02964 141551Z

DEFEND THEMSELVES AGAINST THE VAGARIES OF THE POLISH

EXCHANGE-RATE SYSTEM. END SUMMARY.

2. AS WE INTERPRET THE AGREEMENT, U.S. ANNUITANTS. WOULD BE PROHIBITED FROM OR AT LEAST HAVE GRAVE DIFFICULTIES IN HAVING THE PROCEEDS OF THEIR CHECKS SENT TO THEM THROUGH BANKS OR INDIVIDUALS OUTSIDE POLAND, AS IS DONE WITH MOST OTHER DOLLAR TRANSFERS TO RESIDENTS OF POLAND. THE AGREEMENT SEEMS TO INDICATE THAT ANNUITANTS, CHECKS WILL BE SENT ONLY TO ADDRESSES IN POLAND. ALSO BY HAVING THE USG "INFORM THE ANNUITANTS AS TO THE LAWS AND REGULATIONS OF POLAND RELATING TO THE NEGOTIATION OF SUCH CHECKS", WE WOULD BE LENDING OUR PRESTIGE TO WHICHEVER OF THE MANY POSSIBLE INTERPRETATIONS THE POLISH GOVERNMENT WISHES TO GIVE TO ITS LAWS. BY ONE SUCH INTERPRETATION, OUR ANNUITANTS WOULD NOT BE ABLE TO SEND THEIR CHECKS OUT OF POLAND OR HAVE BANK ACCOUNTS ABROAD.

3. EMBASSY IS ALSO DISTURBED THAT AGREEMENT MAKES NO MENTION OF OBTAINING FOR OUR ANNUITANTS THE HIGHEST LEGAL RATE AVAILABLE IN POLAND AS DID INFORMAL PROPOSAL WE SENT KRZAK. SETTling FOR "THE MOST FAVORABLE EFFECTIVE RELATIONSHIP ACCORDED ANNUITIES RECEIVED BY RESIDENTS OF POLAND FROM ANY THIRD COUNTRY" IN EFFECT CONDEMNS OUR ANNUITANTS TO A 33-TO-1 RATE OR LESS UNLESS THEY CAN UTILIZE TRANSFERS THROUGH INDIVIDUALS OR BANKS ABROAD. TYING THE TREATMENT OF OUR ANNUITANTS TO THAT GIVEN ANNUITANTS FROM OTHER COUNTRIES DOES NOT PROVIDE MUCH PROTECTION. U.S. ANNUITANT CHECKS SEEM TO BE A LARGER PART OF THE TOTAL INCOME OF OUR ANNUITANTS THAT IS THE CASE FOR THOSE FROM OTHER COUNTRIES. ALSO, BECAUSE OF THE GREATER DISTANCES INVOLVED, OUR ANNUITANTS CANNOT SO EASILY UTILIZE TRAVEL AND VISITORS TO AMELIORATE TTHE EXCHANGE-RATE SYSTEM, AS CAN THE ANNUITANTS RECEIVING CHECKS FROM OTHER EUROPEAN COUNTRIES.

4. POLISH AUTHORITIES UNDOUBTEDLY WANT AN AGREEMENT WITH US WHICH MAKES OUR ANNUITANTS TRANSACT THEIR CHECKS THROUGH THEIR OFFICES HERE IN POLAND AND WHICH SPECIFICALLY STATES EXCHANGE RATES REDUCED FROM 60-TO-1. THEY
CONFIDENTIAL

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PAGE 03 WARSAW 02964 141551Z

WANT SUCH PROVISIONS IN THE AGREEMENT BECAUSE THEY WANT TO USE THEM TO BLAME US WHEN THE ANNUITANTS BEGIN THEIR COMPLAINTS. IT SEEMS MORE IN OUR INTEREST TO
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